



Legislative
Research
Council

MINUTES

Bureau of Information and
Telecommunications Agency
Review Committee

**Third Meeting
2004 Interim
October 4, 2004**

**Room 412
State Capitol Building
Pierre, South Dakota**

Monday, October 4, 2004

The third meeting of the interim Bureau of Information and Telecommunications Agency Review Committee was called to order by Representative J.E. "Jim" Putnam, Chair, at 9:00 a.m. on Monday, October 4, 2004, in Room 412 of the State Capitol Building in Pierre, South Dakota.

A quorum was established with the following members answering the roll call: Senators Jerry Apa, Dick Kelly, and John Koskan (Vice-Chair); and Representatives Mike Buckingham, Elizabeth Kraus, Gordon Pederson, J.E. "Jim" Putnam (Chair), and Donna Schafer. Representatives Tom Hackl, David Sigdestad, and Paul Valandra were excused.

Staff members present included Aaron Olson, Fiscal Analyst, and Reta Rodman, Legislative Secretary.

(NOTE): For sake of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents are on file with the master minutes.)

Approval of Minutes

SENATOR KOSKAN MOVED, SECONDED BY REPRESENTATIVE PEDERSON, THAT THE JUNE 15, 2004, MINUTES BE APPROVED AS PRINTED AND MAILED. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

REPRESENTATIVE KRAUS MOVED, SECONDED BY REPRESENTATIVE PEDERSON, THAT THE AUGUST 16, 2004, MINUTES BE APPROVED AS PRINTED AND MOVED. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

Chair Remarks

Representative Putnam, Chair, thanked the committee members for their participation in the sunset review of the Bureau of Information and Telecommunications Agency (BIT). He advised that during this meeting any draft legislative proposals that BIT might be considering could be discussed. Representative Putnam also stated that the committee would hear Commissioner Doll's responses to the remaining questions requested at an earlier meeting.

Commissioner Otto Doll, Bureau of Information and Telecommunications Agency, discussed the handout that had been mailed previously to the committee members entitled "TV Survey Highlights" (**Document #1**). This survey showed that approximately 300,000 people watch South Dakota Public Television (SDPTV). Commissioner Doll explained that there are various methods of receiving the signal that enable a person to view SDPTV programs, and they are either the use of cable or satellite or by using an outdoor antenna.

Commissioner Doll advised that the survey showed women in the household watch television more than men by one hour per week. He also stated that 81.4 percent of the people watch TV in the evening. Commissioner Doll indicated there are various ways in which individuals can support South Dakota Public Television. The survey showed 50 percent of the participants that are watching SDPTV say they pledge by mail. The remaining participants of the survey advised that they pledge either by television or radio pledge drives.

Ms. Julie Andersen, Public Broadcasting Director, acknowledged that there are instances when individuals indicate to her that they are displeased with a certain program that is being broadcast. At that time, a review of the program is conducted and possibly removed from the programming list if they find the content to be unacceptable. However, during this survey, she commented that there wasn't any negative feedback to discontinue any programs.

Ms. Andersen advised that the majority of the programs that individuals watch are purchased from National Broadcasting, and South Dakota Broadcasting does not have any say in the programming list. However, she did indicate that some programs such as Lawrence Welk are purchased separately from different providers. Ms. Andersen stated that SDPTV received a 7.5 percent increase in the cost of the National Broadcasting programs. She did acknowledge that negotiations with National Broadcasting had been successful, and the increase to purchase their programs had been decreased to 3 percent. Ms. Andersen stated that the cost to South Dakota Public Television is over \$500,000. Senator Kelly asked if the survey had been prepared by a professional organization, and Ms. Andersen responded by saying the Business Research Bureau had completed the survey. He also indicated that he felt 300,000 was high, but Ms. Andersen said, actually, the maximum number of people watching public television is 330,000 to 340,000. She clarified that there are 22,000 active members who send in money to help support public television, but she also admitted that individuals who have sent money in earlier years still consider themselves active members.

During discussion about the conversion from analog to digital, Senator Koskan asked if it would be cheaper to buy converter boxes which could be connected to the television sets rather than construct new towers or update old towers in rural areas. Ms. Andersen emphasized that you would still need a means to feed those boxes. She said that SDPTV has received \$400,000 in federal money to help defray the cost of changing the Faith Tower from analog to digital.

Commissioner Doll gave a detailed presentation on BIT's general policy for discarding old or outdated equipment (hardware). The policy states that when an agency is going to surplus their computers or computer equipment they first must e-mail property management with a list of equipment that is available for disbursement. If the equipment is a fixed asset with a purchase value of \$5,000 or more then a SD Retirement form is required. Commissioner Doll

stated that once you have notified the correct entity about the outdated equipment then that equipment is to be delivered to BIT's Parts Center located in Pierre. He continued his presentation by stating that there are numerous methods to dispose of the old equipment. Several of the methods include distribution to state agencies for their use, keeping the old equipment for parts, or disposing of the equipment completely. Commissioner Doll reported to the committee that the Bureau of Administration has developed a state Web site that will enable other state agencies and political subdivisions to view the equipment that is available for sale before an auction is held. He assured the committee that any information on the computers is destroyed before any computer is sold or no longer in the control of the state.

Representative Putnam questioned how BIT was made aware of the equipment that was old and outdated, and Commissioner Doll advised that BIT's field technicians observe the equipment when they are making their routine visits to the agencies, or the agency itself lets BIT know of the equipment that needs to be replaced.

The Senior IT Committee has determined the life of a PC is now five years rather than the three years previously noted. Commissioner Doll informed the committee that BIT has the authority to decide if a new program will be purchased such as they did when Microsoft's Version 2003 became available. At that time, BIT made the decision to by-pass that version and wait until Version 2005 or Version 2006 was developed. He shared with the committee that there are 8500 computers in the state, but there are no contracts servicing these computers or office equipment as BIT has their own technicians. Commissioner Doll noted that BIT does not service all of the larger mainframe equipment.

When questioned by the committee members on the rate structure, they were advised by Commissioner Doll that there are four methods used in the billing process.

- Support charges for any desktop is a flat fee per month per agency.
- A charge by the hour method is used which orientates toward the agency's usage.
- The telephone billing is strictly a flat fee for local use plus a charge per long distance call. When an agency uses the mainframe, the charge is by usage.
- Billing charges for mini computers are determined by dividing the agency usage plus a flat fee.

Commissioner Doll told the committee that in the executive branch of government none of the computers or equipment are leased; however, the legislative branch does lease some of their laptops. When questioned who might purchase the old equipment, he said schools often purchase the equipment for student training plus individuals who only want to use the internet. He advised that when it comes to cost containment for telecommunications, the biggest challenge is the billing process. Commissioner Doll reported to the committee that each bill that is submitted to BIT is reviewed for accuracy. He stated, as an example, that agreements with Telecommunications providers on billing discrepancies has saved the State of South Dakota over \$1 million.

Each year BIT is given what is called an expenditure authority. Commissioner Doll reported that last year BIT was able to give back authority beyond the authority level on the HIPPA program in the amount of \$4 million. BIT also gave back an additional \$1.8 million authority amount due to BIT's cost cutting on expenses.

Commissioner Doll stated that when federal money is used, the federal government requires a set of books to be furnished to them describing all income and expenses, and looks for BIT to back out with a zero base. Zero base means that your revenue must equal your expenses. He said what BIT spends directly affects the rate structure. Commissioner Doll indicated to the committee that his agency faces two challenges:

- For a central service agency, Federal Cost Recovery Rules require a separate set of books be kept showing that revenue equals expenses.
- BIT can not spend above the authority level given to them by the Legislature.

He feels there are numerous variables that BIT can control, particularly staffing, but lower staffing levels means a diminished level of service. However, BIT has no control over Senior IT Committee expenses, nor over the expenses should South Dakota sustain a major disaster.

Mr. Dennis Nincehelsner, Bureau of Information and Telecommunications staff member, stated that if a technology related bill is disputed, the credit to that billing could possibly appear in the next fiscal year. He noted that each department's technology expenses are submitted to BIT for review, and once they have accepted the billing as correct, it is sent back to the agency which then submits payment out of their budget.

Commissioner Doll stated that there are only two other states that have the same type of structure as BIT. Those states are Michigan and Virginia. Representative Putnam requested that Aaron Olson, Fiscal Analyst for LRC, research those states for comparison to South Dakota.

The committee was informed by Commissioner Doll that the national average number of desktop devices per technician is 70; however, South Dakota's average is 125, which is considerably higher than the national average.

Commissioner Doll reported to the committee that the Senior IT Committee consists of eight members, and the process to get a project to that level has various obstacles to overcome.

- The agency must first decide what new project or projects they wish to pursue.
- When the decision has been made on a project, it is submitted to BIT management for their review
- Once the above process is completed, the project paperwork is sent to Commissioner Doll for his review.

- If the project is approved by Commissioner Doll, the paperwork is then submitted to the Senior IT Committee who has the final say whether the project is approved or rejected.

The committee was also informed by Commissioner Doll that there is an appeal process, and in this final step for approval, the project is submitted to the Senior IT Committee for review. He has the authority to either approve or reject the project. Many issues come into play before a project is approved. Commissioner Doll said that one factor in the approval of a project is a determination if the project has a good alignment of technology to the problem to be solved. He advised that \$50,000 is the total threshold per project for three years.

At 12:00 p.m., Representative Putnam called a recess for lunch and reconvened at 1:00 p.m.

Representative Putnam informed the committee members that the evaluation of BIT, committee suggestions or directives to BIT, and the preparation of the final report of the committee findings would be set aside to be discussed at a later date.

At this time, Commissioner Doll does not have any legislative proposals that he would like the committee to act on. The commissioner did discuss three issues in regard to their statutes that BIT may request to have changed in the future. The first two issues dealt with cleanup within their statutes for the State Radio System and the Rural Development Telecommunications Network (RDTN). The last issue was more of a policy change whereas BIT would begin to offer services to non-profit and tribes. These services would be handled the same as any other state agency.

Discussion turned to the subject of State Radio mobile coverage. Commissioner Doll informed the committee that State Radio's initial design was for 100 percent mobile coverage. However, portable radios are similar to cell phones which have a weaker signal, and problems occur when a highway patrolman walks away from his vehicle or when a firefighter is fighting a fire in an area which is away from his truck.

Commissioner Doll stated that BIT does not service non-profit entities nor do they service any tribal equipment. Representative Putnam questioned Commissioner Doll on why he does not want to have non-profit entities as clients. He expressed the argument that if BIT were to service non-profit entities we would be taking business away from the private industry, and a non-profit entity can change to a profit entity in a very short period of time. Senator Kelly questioned Commissioner Doll on the latitude of authority he thought BIT could handle. However, Commissioner Doll stated that their authority was to the public sector and non-profit entities and tribes are specifically excluded.

Ms. Julie Andersen expressed concern on the new FCC Ruling which states that South Dakota's private sector has to choose their channels by July 2005, and the public sector must have their channels chosen by July 2006. She said that by that time 80% of the towers have to have the capability to include digital channels. She advised this could create a \$1 million problem for the State of South Dakota as these dates were not in the original plan. Ms. Andersen emphasized that continuing with analog ONLY is not an option.

Senator Apa questioned how the State of South Dakota could justify the cost of public broadcasting considering its lower viewership. Ms. Andersen voiced her opinion that public broadcasting's major tool is to provide communication capability throughout the state including Amber Alert and various other programs essential to South Dakota; therefore, the cost of operation becomes less important.

Next Meeting

A fourth meeting of the Bureau of Information and Telecommunications Agency Review Committee is tentatively scheduled for November 5, 2004, at 9:00 a.m. At this time discussions will include evaluation of BIT, committee suggestions or directives to BIT, and the final report of committee findings which is to be submitted to the Executive Board.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE BUCKINGHAM, THAT THE MEETING ADJOURN. MOTION PREVAILED UNANIMOUSLY ON A VOICE VOTE.

The meeting adjourned at 2:30 p.m.



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